



THE ROLE OF ORGANIZATIONAL CULTURE AND ENTREPRENEURSHIP ORIENTATION ON EMPLOYEE PERFORMANCE IN VILLAGE CREDIT UNION IN BADUNG - BALI

Ni Rai Artini*, Ngurah Made Novianha Pynatih,
Ni Made Taman Ayuk, I Nyoman Gede Marta
Faculty of Economics and Business, Tabanan University
*Correspondence: raiartini90@gmail.com

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Abstract

The performance of Village Credit Union employees in Bali tends to decline. In addition to financial factors, it is suspected that this is also influenced by non-financial factors, namely entrepreneurial orientation and organizational culture. This study examines the influence of organizational culture and entrepreneurial orientation on employee performance at the village credit union in Badung Regency. These four main objectives are achieved by using a quantitative approach. The quantitative approach uses an alternative PLS 3 SEM analysis technique, using 94 respondents from Village Credit Union employees in Badung Regency. The results of the study show that organizational culture influences entrepreneurial orientation. However, organizational culture does not affect employee performance. Entrepreneurial orientation is also proven to influence employee performance. In addition, entrepreneurial orientation can mediate organizational culture's influence on employee performance.

Keywords: Organizational Culture, Entrepreneurial Orientation, Employee Performance, Badung, Bali

A. INTRODUCTION

Based on Bali Governor Regulation No. 11 of 2013, Article one states that the Village Credit Union (VCU) is a financial Union owned by Pakraman Village, located in the Pakraman Village area. The function of the Village Credit Union is to encourage economic development in rural communities by providing credit and deposits in the form of savings. Village credit unions (VLU) have different regions, customs, and traditions; this has resulted in each village credit union having a different organizational culture from one village credit union.

Badung Regency is one of the regencies in Bali Province, which consists of six sub-districts, namely Abiansema District with 34 village credit unions, Mengwi District with 35 village credit unions, Kuta District with four village credit unions, South Kuta District with 3 VLU, North Kuta District with 8 VLU, and Petang District with 27 VLUs, employing 1,371 employees (VLU Profile of Badung Regency, 2021).

The phenomenon that occurs in the VLU in Badung Regency is the high problem of credit extended to *krama desa pakraman* (village residents) with a level of congestion or Non-Performing Loans (NPL) above 5%. The ability to generate profits through assets or Return on Assets (ROA) has decreased over the last three years (2019-2021).

The high number of non-performing loans distributed to uncollected *krama* indicates that Village Credit Unions' performance in Badung Regency is not as expected. Human resources play an important role in carrying out all activities in the

company. Companies with good performance will have better competitiveness than others (Dewi et al., 2021). Today, VLU must have dynamic capabilities and strategies that can seize opportunities. Global business competition affects VLU, such as globalization, technological improvements, demographic and social changes, financial support, and the ability to innovate and have an entrepreneurial spirit.

Entrepreneurial orientation is a company orientation that focuses on efforts to identify and exploit opportunities (Lumpkin & Dess, 1996). Miller (1988) defines entrepreneurial orientation as an orientation to be the first in terms of innovation in the market, have an attitude to take risks and be proactive towards changes that occur in society. Miller and Friesen (1983) stated that companies with strong entrepreneurial orientations would have a more vital ability to innovate than other companies. Meanwhile, Lumpkin and Dess (1996) said that companies with a strong entrepreneurial orientation would be more willing to take risks and not just stick to past strategies. In a dynamic environment, entrepreneurial orientation is essential for the company's survival.

One crucial aspect in improving performance is that organizational culture can be considered a motivating factor so that employees do their best for the organization/company (Yessica Nathania, 2018). Committed employees will provide their abilities and optimize their potential to complete all the burdens and responsibilities given to them (Prasetiyo et al., 2020). Culture significantly impacts the attitudes and behaviour of individuals and their dispositions to live. It is because the individual adopts the values of the social values, customs and Unional framework in which he lives. Culture determines the nature of decisions that must be made in life, including the decision to become or not become an entrepreneur. The value system as a cultural element directly influences individual behaviour in entrepreneurial orientation (Weber, 2013).

The influence of culture on entrepreneurial orientation has been studied in several countries, such as China (Ruixiang, 2012; Arribas, 2013), indicating that culture has a positive and significant effect on entrepreneurial behaviour. The influence of culture on entrepreneurial orientation is positive and significant, indicating that culture plays a role in increasing entrepreneurial orientation. However, research in Malaysia on entrepreneurial orientation does not mediate the influence of culture on employee performance (Zainol, 2011).

Culture does not affect entrepreneurial orientation in Malaysia due to government assistance. Communities that did not receive government assistance were more proactive than those that received government assistance. While researching in China, entrepreneurial orientation is determined by culture (Ruixiang, 2012). In Indonesia, namely in Bali and in Papua, entrepreneurial orientation mediates the influence of culture on employee performance (Rante, 2011; Kory, 2014).

Based on research on the role of entrepreneurial orientation in mediating the influence of culture on employee performance, inconsistent results were found, so it is necessary to re-examine the role of entrepreneurial orientation in mediating the influence of organizational culture on employee performance.

The formulation of the problem raised in this study is how the influence of organizational culture and entrepreneurial orientation on the performance of employees at VLU in Badung Regency. It is important and interesting to study because it will reveal the role of organizational culture and entrepreneurial orientation on employee performance at VLU in Badung Regency. It is hoped that the results of this research will

become meaningful input for stakeholders at Village Credit Unions in Badung Regency as a contribution to ideas in efforts to formulate various policies regarding human resource management related to organizational culture and entrepreneurial orientation to improve employee performance at Village Credit Unions.

B. LITERATURE REVIEW

1. Definition of Employee Performance

Employee performance is a natural behaviour that everyone displays as work performance produced by employees according to their role in a company or organization. Good employee performance is an essential factor in the efforts of a company or organization to increase productivity. An employee's performance in a corporate or organizational agency is an individual thing because each employee has a different ability to carry out their duties. Performance is the result of an organization that is profit-oriented and non-profit-oriented, which is produced over time (Fahmi, 2018).

2. Definition of Organizational Culture

Organizational culture is defined as the values that guide human resources in carrying out their obligations and behaviour in the organization. An organizational culture that is formed, developed, strengthened or even changed requires practices that can help unify the cultural values of members with organizational cultural values (Sopiah, 2018)

3. Definition of Entrepreneurial Orientation

Entrepreneurial orientation is a process, practice and decision-making activity or individual tendency to seek opportunities, the courage to take risks and competitive aggressiveness to win the competition. Jannah et al. (2019) argue that entrepreneurial orientation is the ability of a business or entrepreneur to manage its resources to produce business success with a change strategy to compete and be more competitive.

4. Village Credit Union (VCI)

The definition of VLUCan is seen in Article 1 Number 9 of the Bali Province Regional Regulation Number 3 of 2017: "Village Credit Unions from now on referred to as VLU, are financial Unions belonging to Pakraman Village which are domiciled at the Pakraman Village authority". Development of arrangements/regulations regarding VLU issued by the Provincial Government of Bali, namely:

1. Decree of the Head of the Level I Region of Bali No. 972 of 1984, November 1, 1984
2. Replaced with Bali Level I Regional Regulation No. 2 of 1988 concerning Village Credit Unions
3. Replaced with Bali Provincial Regulation No. 8 of 2002 concerning Village Credit Unions
4. Amended by Bali Provincial Regulation No. 3 of 2007 concerning Amendments to Bali Province Regional Regulation No. 8 of 2002 concerning Village Credit Unions
5. Amended by Regional Regulation of Bali Province No.4 of 2012 concerning the Second Amendment to Regional Regulation of Bali Province No.8 of 2002 concerning Village Credit Unions.
6. The third change is the Regional Regulation of the Province of Bali Number 3 of 2017 concerning Village Credit Unions

5. Hypothesis

The hypothesis in this study is:

1. Organizational culture influences the entrepreneurial orientation of VLUs in Badung Regency
2. Organizational culture influences employee performance at VLU in Badung Regency.
3. Entrepreneurial orientation influences employee performance at VLU in Badung Regency.
4. Entrepreneurial orientation mediates the influence of organizational culture on employee performance at VLU in Badung Regency.

Based on the above hypothesis, the research model in this study presented in figure 1 :

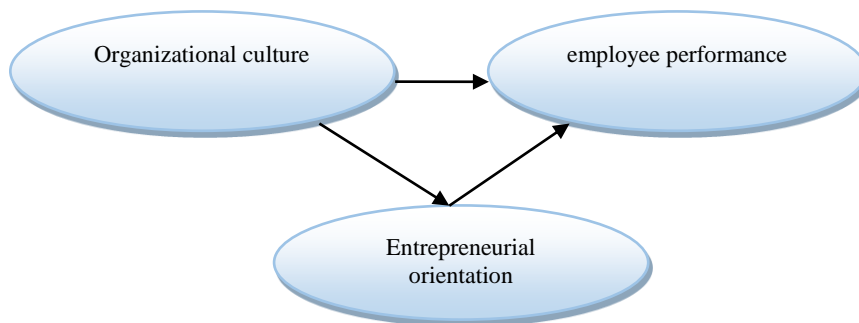


Figure 1: Research Model

C. RESEARCH METHODS

It is a type of associative research aimed at examining the effect of organizational culture on employee performance through the mediation of entrepreneurial orientation. This study chose objects from Village Credit Unions (VLU) in Badung Regency spread over six sub-districts with 122 VLU units with a total of 1,371 employees with VLU managers as objects. The VLU in Badung Regency was chosen as the research location because it has a relatively rapid growth rate of assets compared to other microfinance Unions.

The data used in this study are primary data and secondary data. Preliminary data are data sources that directly provide data to data collectors. Secondary data are sources that do not directly provide data to data collectors, for example, through other people or documents. The population in this study were all VLU employees in Badung Regency. The method of sampling using Proportionate Stratified Random Sampling. The total population of this study was 1,371 people. Determination of the research sample using the Slovin formula, sample size can be calculated as follows:

$$n = \frac{1.371}{1 + 1.371(0.1)^2} = 93,20 \approx 94 \text{ respondents}$$

Primary data was collected through interviews and distributing questionnaires to all employees—the Measurement of research data using a Likert scale. In measuring research variables, respondents were asked to express their perceptions by choosing one of the alternative answers in the form of five rating points: (5) strongly agree, (4) agree, (3) uncertain or neutral, (2) disagree, (1) disagree. The Likert scale measures

entrepreneurial orientation, organizational culture and employee performance variables. This study uses descriptive and quantitative analysis techniques with structural equation models or Structural Equation Modeling (SEM), especially Partial Least Square (PLS).

To prevent biased perceptions regarding this study, the operationalization of the variables can be determined as follows:

1. Organizational Culture (X1) is a value system believed and practised by members of the organization to distinguish the organization from other organizations.
2. Entrepreneurship Orientation (Y1) refers to processes, practices and decision-making that lead to new inputs and has three entrepreneurial aspects: taking risks, acting proactively and consistently being innovative.
3. Employee Performance (Y2) is the result or level of success of a person as a whole during a specific period in carrying out tasks compared to work standards, targets or goals or criteria that have been determined in advance and have been mutually agreed upon.

D. RESULTS AND DISCUSSION

1. Characteristics of Respondents

Respondent characteristics aim to describe the characteristics of respondents obtained from the respondent's profile. From the results of research conducted on VLU employees in Badung Regency, a quantitative approach is based on gender, age, education and years of service.

Based on gender, male respondents dominated with 83 people or 88.3 %, while female respondents amounted to 11 people or 11.7 %. It reflects that the progress and role of women as VLU employees in Badung are still little.

The characteristics of the respondents, based on age, were dominated by respondents aged 23 to 50, as many as 51 people or 54.3 %. In terms of the age conditions of the respondents, it showed that most VLU employees were in the productive age range, expected to have the physical ability to work and have the potential to think and act effectively and efficiently in managing VLU assets to improve the performance of Village Credit Unions.

The last level of education was high school or its equivalent, dominated by 58 people or 61.7 %, followed by S1 with 27 people (28.7 %), which was encouraging as many as seven people (7.5 %) had completed their education at the postgraduate level.

Based on the majority of the working period of over 11 to 20 years or 44.7 %, there were 24 people (25.5 %) over 20 years. This condition reflects that most of the respondents have worked for quite a long time so it is hoped that LPD employees will be more professional and skilled in managing credit in Pakraman Village.

2. Composite Reliability Testing And Cronbach Alpha

A measurement can be reliable if the composite reliability and alpha have a value greater than 0.80. Composite reliability and alpha measures reliability between blocks of research model indicators. The composite reliability and Cronbach alpha values meet the reliable criteria, namely with each value > 0.80 , which shows that the indicators that form the dimensions of the construct of organizational culture values and entrepreneurial orientation are valid and reliable. Composite reliability is another alternative test of Cronbach's alpha; compared to the test results, composite reliability is more accurate than Cronbach's alpha. AVE values, composite reliability, and Cronbach alpha are presented in Table 5.1.

Average Variance Extracted (AVE) is a test to assess the average communality of each latent variable in the reflexive model. The AVE value must be above 0.50, indicating that at least the latent factor can explain half of the Variance for each indicator.

Table 1: Reliability and Validity Construct Test Results

Construct	<i>Composite Reliability</i>	<i>AVE</i>	<i>Cronbach's alpha</i>
X ₁	0.826	0.614	0.681
Y ₁	0.842	0.727	0.627
Y ₂	1.000	1.000	1

Source: Primary data processed

Based on the results of the Reliability and Validity Construct tests, it turned out that the Composite Reliability values were all above 0.8, and the same thing happened to the AVE values, all of which were above 0.5, thus the variables X₁, Y₁ and Y₂ were Valid and Reliable.

3. Evaluation Of The Structural Model (Inner Model)

Evaluation of the structural model (Structural Model or Inner Model) is a measurement to evaluate the level of accuracy of the model in the research as a whole, which is formed through several variables along with their indicators.

4. Collinearity Evaluation

Collinearity is a term to describe a correlation between latent variables in a model, its predictive power is unreliable and unstable. The cause of collinearity is due to the repetition of correlations from one variable to another. An indicator of the occurrence of inner model collinearity if the VIF value is > 5 then the construct variable must be excluded from the structural model (unfit model). From the results of the analysis it turns out that all constructs have a value of > 5 , so it can be concluded that there is no collinearity between constructs.

Table 2: Collinearity

Construct	X ₁	Y ₁	Y ₂
X ₁		1	1.807
Y ₁			1.807
Y ₂			

Source: Primary data processed

The evaluation of this structural model will be carried out through several approaches in PLS. 3 The criteria used are R Square, F Square, and Q Square predictive relevance.

5. R Square Test

The R-squared value (R²) measures how much influence certain exogenous latent variables have on endogenous latent variables. Table 5.3 shows that the R-square value of the latent variable (Y₁) is 0.149 and the R-square latent variable (Y₁) is 0.446. It can be interpreted that the constructed variable Y₂, which the variables X₁ and Y₁ can explain, is 14.9%. In comparison, the rest is explained by other variables outside the one studied, and the X₁ variable can explain the Y₁ variable by 44.6%, while another variable explains the rest.

Tabel 3: R² Test

Matrix	R ²	Description
X ₁ To Y ₁	0.446	Moderate
X ₁ & Y ₁ to Y ₂	0.149	weak

Source: Primary data processed

5. Evaluation Of The Structural Model Through Q-Square Predictive Relevance (Q²)

Q-Square Predictive Relevance (Q²) measures how well the observations made give results to the research model. The Q-Square Predictive Relevance (Q²) value ranges from 0 (zero) to 1 (one). The closer to 0 the Q-Square Predictive Relevance (Q²) value, the worse the research model. On the contrary, the further away from 0 (zero) and getting closer to the value 1 (one), the research model is getting better. Q Square's predictive relevance is shown as follows:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2) \\
 Q^2 &= 1 - \{(1 - 0,446)(1 - 0,149)\} \\
 &= 1 - \{(0,554)(0,851)\} \\
 &= 0,529
 \end{aligned}$$

The Q² calculation result is 0.529, so it can be said to have a relatively predictive solid prevalence, so the resulting model is feasible for prediction. 0.529 means that the Y₂ variation of 52.9 % can be explained by variations in the X₁ and Y₁ variables, while other variables outside the model explain the remaining 47.1 %

6. Hypothesis Test Results

The relationship between the variables tested in this study is between the exogenous organizational culture and the endogenous variables of entrepreneurial orientation and employee performance. The relationship of each variable is presented in Table 4

Based on the evaluation of the precision of estimation, it can answer the proposed hypothesis whether it is accepted or rejected from the review of the structural model through the bootstrapping procedure, as shown in Table 5.5.

1. The results of the T-statistic test between variable X₁ and Y₁ (9.343) or a P-value of 0.000, then X₁ affects Y₁, so the null hypothesis is rejected.
2. The results of the T-statistic test between variables X₁ and Y₂ (0.690) or a P-value of 0.490, then X₁ does not affect Y₂, so the null hypothesis is accepted.
3. The results of the T-statistic test between the variable Y₁ and Y₂ (2,263) or the P-value of 0.024, Y₁ affects Y₂, so the null hypothesis is rejected.
4. The results of the T-statistic test between variable Y₁ as a mediating variable (2,249) or a P-Value of 0.025 then Y₁ is indeed a mediating variable, so the null hypothesis is rejected.

7. Indirect effect

Table 5.5: Direct Effects Dan Indirect Effects)

Correlation	Original Sample	Mean Sample	Standard error	T-Statistik	P Value
X ₁ => Y ₁	0.668	0.670	0.072	9.343	0.000
X ₁ => Y ₂	0.106	0.109	0.153	0.690	0.490
Y ₁ => Y ₂	0.307	0.306	0.153	2.263	0.024
Indirect Effects					
X ₁ => Y ₁ => Y ₂	0.205	0.203	0.091	2.249	0.025

The role of entrepreneurial orientation in mediating the influence of organizational culture on financial performance can be seen from direct and indirect relationships. Mediation criteria can be measured by comparing the direct and indirect relationship between organizational culture and employee performance. The indirect relationship between organizational culture and employee performance shows a significant relationship with a coefficient value of 0.025 and is significant. The results of the indirect relationship test are presented in Table 4

8. Direct effect

The direct effect shows a direct relationship between organizational culture and employee performance with a coefficient value of 0.024, which is smaller than the indirect correlation coefficient value of 0.025. It means that entrepreneurial orientation mediates the influence of organizational culture on employee performance. The coefficient value of each variable is presented in Table 4

9. Effect Size Test Results

The F^2 analysis aims to determine the effect if one of the constructs is not included in the model. The calculation results can be classified as low, medium, and high with an index of 0.02 each, 0.15, 0.35. The results of the effect size index test are presented in Table 5

The test results show that the coefficient effect size (F^2) of organizational culture on entrepreneurial orientation is 0.807, which means that organizational culture has a relatively high role in increasing entrepreneurial orientation. The effect size coefficient of entrepreneurial orientation on employee performance is 0.061. The role of entrepreneurial orientation in mediating organizational culture with employee performance is relatively small. The results of the effect size test do not support hypothesis 4, which states that entrepreneurial orientation mediates the influence of organizational culture on employee performance.

Evaluation of the endogenous construct is to look at the magnitude of the effect (F^2) and the total effect. The F^2 value will see the substantive effect of exogenous constructs on endogenous constructs. Determining the importance of the direct influence of exogenous constructs on endogenous constructs is classified into three categories: 0.02 small effect, 0.15 medium effect, and 0.35 significant effect. The magnitude of the influence of X_1 on Y_1 is very large, this is indicated by the value of F^2 of 0.807, while the magnitude of the influence of X_1 and Y_1 on Y_2 is small, namely equal to 0.007 and 0.061, as shown in Table 5

Tabel 5: Effect size F^2

	F^2	Effect
$X_1 - Y_1$	0.807	Besar
$X_1 - Y_2$	0.007	Kecil
$Y_1 - Y_2$	0.061	Kecil

Source: Primary data processed

E. CONCLUSION

Based on hypothesis testing, results and research findings, it can be concluded that organizational culture influences entrepreneurial orientation in VLU in Badung Regency. Applying corporate cultural values is an essential contribution to enhancing

entrepreneurial orientation. It indicates that the harmonization values contained in the organizational culture are proven to increase entrepreneurial orientation abilities.

However, organizational culture is proven to not affect employee performance at VLU in Badung Regency. The results of this test indicate that following the objectives of the VLU, which is to help Traditional Villages to maintain their cultural functions and the VLU in moving the social economy is not solely profit-oriented but also has social goals. Entrepreneurial orientation has also influenced employee performance at VLU in Badung Regency. It means that if the entrepreneurial orientation is improving, the performance of the VLU is getting higher.

Entrepreneurial orientation can also mediate organizational culture's influence on employee performance at VLU in Badung Regency. Entrepreneurial orientation mediates the effect of corporate culture on employee performance, meaning that entrepreneurial orientation can improve employee performance.

Based on the conclusions of the analysis results in this research, it is suggested to apply entrepreneurial principles to VLU organizations that are supported by organizational culture. Management's entrepreneurial orientation at VLU can be improved by working hard to be more creative, innovative, and willing to take risks. These three essential capabilities can contribute to the success of VLU's ability to compete sustainably.

In this study, measuring the performance of VLU employees only uses financial indicators. Meanwhile, the purpose of establishing a VLU is not only for economic motives but also for social-religious motives, so the next researcher is advised to use socio-religious indicators to measure the performance of the VLU.

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